

Fleet Services Rate Methodologies

This document describes generally the methodologies used by the division to calculate the various rates it charges its fleet customers. Please see the Fleet Services Rate Schedule or contact your fleet services representative about specific vehicle rates.

Vehicle Lease Rate

The vehicle lease rate is used to cover the cost of anticipated vehicle replacement costs. It is calculated by distributing the future value of the current contract prices of a Standard Class, less estimated salvage value, over the useful life of the vehicle. The calculation of a future value takes into account the inflation that will occur between the present and the anticipated replacement date. The formula is:

$$\text{Lease rate} = \frac{fv(\text{price} - \text{salv})}{\text{life}}$$

Management Information System (MIS) Rate

The MIS rate is used to recover the cost of the fleet information tracking system. It is calculated by distributing the monthly cost of the system over the entire equipment population in the system. The formula is:

$$\text{MIS rate} = \frac{\text{Total MIS cost}}{\text{Total pieces of equipment}}$$

Alternate Fuel Vehicle (AFV) Rate

The AFV rate is used to recover the incremental cost of configuring fleet vehicles with alternate fuel equipment. It is calculated by distributing the estimated monthly incremental AFV cost over the entire population of light-duty vehicles (as defined in R27-1-2) in the MIS system. The formula is:

$$\text{AFV rate} = \frac{\text{Total AFV cost}}{\text{Light-duty equipment}}$$

Administrative Fee

The division uses an administrative fee to recover the cost of managing the State's vehicle fleet. It is calculated by distributing the Fleet Services indirect costs over the entire population of full-service leases in the MIS system. The formula is:

$$\text{Admin rate} = \frac{\text{Total indirect cost}}{\text{Total full lease vehicles}}$$

Mileage Rate

The mileage rate is used to recover the operating costs of the State's fleet. It is calculated by distributing the operating costs¹ for a standard class of vehicles over the total miles associated with that class. The formula is:

$$\text{Mileage rate} = \frac{\text{fuel} + \text{maint} + \text{repair}}{\text{miles}}$$

Daily Pool Rental Rates

The daily pool rental rates are used to recover the average purchase prices of all vehicles within a Standard Class, less estimated salvage value, over the useful life of the vehicle. That cost is then distributed over the average monthly business days or hours.

Other Fleet Management Fees

Other management fees are charged to recover the cost of research, special services, or vehicle neglect or abuse.

¹ Operating costs include Fuel, which may be adjusted for price fluctuations; Maintenance such as lube, oil, filter, glass, tires, etc.; and repairs such as engine, drive train, and non-warranted maintenance.

FY 2004 Fleet Services Rate Proposal

The Fleet Services program charges monthly and daily lease rates to cover the cost of anticipated vehicle replacements. The fleet is capitalized and depreciated over a useful life that is determined by the historical data, then compared to the fleet industry.

Fleet Rate Matrix: Historically, when a vehicle was surplus and sold because of excessive miles, a loss on sale was realized due to un-recovered depreciation. To prevent these losses in the future, a new rate matrix that offers rates for useful lives from 2 years to 10 years is proposed for FY 2004. This will allow Fleet Services to reclassify a vehicle based on actual miles used. An agency that over-utilizes its vehicles should pay for its usage and may see higher charges. It is our intent to meet with each agency to discuss shifting the vehicles into the appropriate lifecycle as indicated by the Matrix. Also, we are adjusting the standard lifetime miles to 90,000 to reflect current usage patterns. For many classes, this is an increase of 15,000 miles and represents a favorable impact to the agencies. The estimated impact of shifting to the new matrix and increasing the standard lifetime miles is a net decrease of \$342,600. At least semi-annually, Fleet will audit the agency vehicle usage and realign the lifecycle if appropriate.

Increase for Replacement Cost: For the FY 2004 rate cycle, Fleet Services subjected its rate methodology to a review by the Division of Finance. This review confirmed that Fleet Services has not adequately recovered future replacement costs in its lease rates. This is the result of basing lease rates on the average historical cost of the current fleet and not accounting for annual inflation. When vehicles were replaced, adequate funds to cover depreciation had not been collected and the program was forced to increase borrowing from the General Fund. Based on Legislative directives to reduce General Fund borrowing, the Director of the Division of Finance has recommended that the lease rates be based on current contract prices and annual inflation. After realigning the fleet to the proposed matrix, and extending the mileage to 90,000, the estimated impact of 3% annual inflation is \$2,584,000. The estimated impact of 5% annual inflation is \$4,819,500. These impact figures do not include special classes established through agency negotiations. Usually these special rates were developed for betterments added at the time of vehicle purchase. As Fleet meets with agencies to discuss the rate matrix, the betterment cost will be separated from the lease rates and future betterments charged back to the agency. No impact for these negotiations can be estimated at this time.

Fleet Indirect Costs: The Division has operated a Capitol Hill Shuttle program for many years, and these costs were treated as overhead to the Fleet Services program. The 2002 Legislature passed the elimination of the Shuttle service as part of the emergency budget cutting measures and mandated that \$300,000 in cost savings be passed back to the agencies. The result of this action is a decrease in the monthly Overhead Fee to \$48.57/vehicle.

Two years ago, the Division's proposal included an adjustment to the overhead fee. We recently discovered that the number of vehicles used to spread overhead was double what it should have been. The Rate Committee and the Division were not aware of this problem at the time, and the Committee accepted the proposal for the compact and midsize-sedan reduction only. This inadvertently caused Fleet to under-recover its overhead costs. We would like to correct this problem by adjusting the overhead component for these two classes to the level that is proposed for 2004 (\$48.57), which reestablishes equality across all classes. The impact of this correction, net of the \$300,000 mandated shuttle savings, is \$206,800 and does not recover any past overhead.

Public Safety Equipment: We would like to propose a new method for recovering the costs of public safety equipment. In the past the cost of lightbars, sirens, video cameras, radar guns, and the like, was recovered through police package rates based on the cost of each configuration, then charged over the life of that equipment. While some equipment was used longer than the established life, other equipment was frequently removed from a patrol car at the request of Public Safety before the cost was fully recovered. This proposal includes tracking the equipment in a new database and charging monthly for a given item until the full cost is recovered, at which time it would be tracked for information only. The new monthly charge would continue to be based on actual cost, but would become a single flat fee. As new equipment is added and old equipment removed, this charge would vary. No impact is expected.

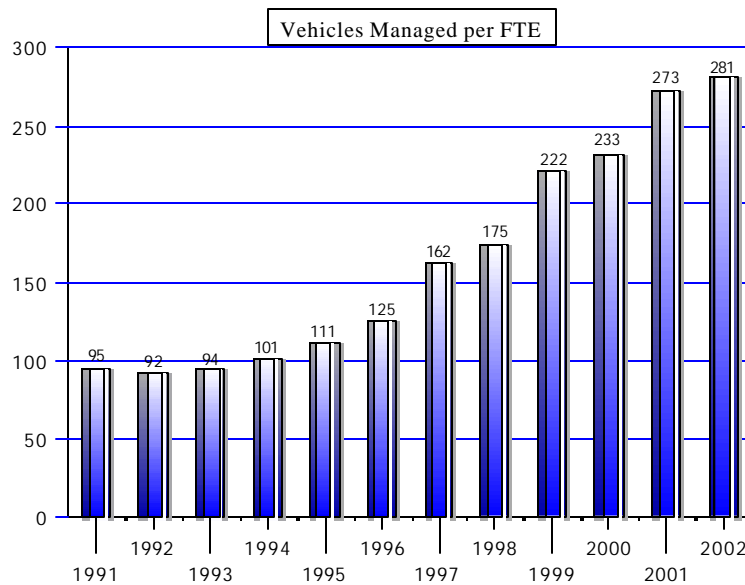
Upgrade of the Standard Police Package: The Department of Public Safety is requesting a redefined standard police package. The current standard is the Crown Victoria Police Interceptor, with all needed wiring installed by ITS. DPS is asking Fleet to order the police package with the wiring harness factory-installed and ready to accept installation of the electronic equipment. The “pre-wired” option would replace some of the work currently performed by ITS. Although the cost increase is approximately \$817.40 per unit, DPS feels that this option represents a significant cost savings over the life of the vehicle and they include in their justification many soft costs that Fleet cannot quantify. The upgrade represents an increase in spending of about \$326,960 over the next 4 years and is expected to go before the Fleet Vehicle Advisory Committee for approval.

Private Sector Rate Comparison

Vehicle Type	Examples of the Vehicles at Private Rental Companies	Current Contract Rates	Daily Rates as of April 20, 2001							Average Private Rental Cost Per Day	DFO Motor Pools				DFO Average Cost Per Day	Difference between the Average Private Rental Cost and the DFO Average Cost Per Day
			Private Rental Companies													
		Enterprise	Enterprise	Alamo	Dollar	Thrifty	Avis	Budget	Hertz		2004 Fixed Cost	Cost Per Mile	Average Miles Per Day in FY 2001	Total Mileage Cost		
Compact 4 Door	Dodge Neon, Chevrolet Cavalier, Ford Escort	\$28.00	\$36.99	\$29.50	\$24.95	\$25.94	\$44.99	\$29.90	\$44.99	\$33.89	\$14.95	\$0.11	73	\$8.03	\$22.98	\$10.91
Intermed	Pontiac Sunfire, Chrysler Cirrus, Ford Contour	\$30.00	\$39.99	N/A	\$27.95	\$29.94	N/A	N/A	\$51.99	\$37.47	\$17.45	\$0.11	73	\$8.03	\$25.48	\$11.99
Midsize	Pontiac Grand Am, Dodge Status, Dodge Intrepid	N/A	N/A	\$32.50	N/A	N/A	\$51.99	\$33.90	N/A	\$39.46	\$17.45	\$0.11	101	\$11.11	\$28.56	\$10.90
Standard	Pontiac Grand Am, Dodge Status, Ford Mustang	\$32.00	\$44.99	N/A	N/A	\$35.94	N/A	N/A	\$59.99	\$46.97	\$17.45	\$0.11	101	\$11.11	\$28.56	\$18.41
Full Size	Chevrolet Lumina, Ford Taurus, Buick Century, Chevrolet Impala and Monte Carlo	\$36.00	\$49.99	\$41.50	\$39.89	\$35.94	\$59.99	\$42.90	\$59.99	\$47.17	\$18.65	\$0.14	132	\$18.48	\$37.13	\$10.04
Mini Van	Ford Winstar, Pontiac Montana, Chevrolet Venture	\$52.00	\$64.99	\$68.98	\$64.89	\$52.94	\$69.99	\$64.90	\$69.99	\$65.24	\$18.30	\$0.13	292	\$37.96	\$56.26	\$8.98
SUV Mini	Chevrolet Blazer, GMC Jimmy, Ford Explorer, Jeep Grand Cherokee	\$52.00	\$64.99	\$65.50	\$59.89	\$52.94	\$69.99	\$58.90	\$69.99	\$63.17	\$22.50	\$0.12	113	\$13.56	\$36.06	\$27.11

Figure 1 - Private Sector Rate Comparison

Figure 2 -
per FTE



Vehicles Managed